



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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November 19, 2002

CERTIFIED RETURN RECEIPT
7099 3400 0016 8895 4722

Daniel Arima
U S Energy Corporation.
877 North 800 West
Riverton, Wyoming 82501

Re: Second Request - Posting of Escalated Surety, U S Energy Corporation, Velvet Mine, M/037/040, San Juan County, Utah

Dear Mr. Arima:

On October 12, 2001, the Division notified U S Energy Corporation of an escalated amount of the reclamation surety for the Velvet Mine located in San Juan County, Utah. The reclamation surety for this site was escalated from an amount of \$63,900 (1998 dollars) to \$88,200 (2006 dollars). To date the Division has not received documentation as to the status of this recalculated bond amount.

You have contacted Paul Baker, of our office, and indicated that U S Energy was presently working on a reclamation plan for this site. The Division appreciates the fact that U S Energy is presently planning for the reclamation of this site, but the surety presently in place to reclaim this area is insufficient. The receipt of a reclamation plan will not have an effect on the surety amount for the reclamation of this site. The bond amount can only be reduced when the work necessary to reclaim the site is completed and approved by the BLM and the Division.

We request that the recalculated reclamation surety amount be placed within the next 90 days, or no later than February 21, 2003. We have taken into account the difficulty of doing business during the holiday season; therefore, additional time has been allowed.

If you are unable to provide the surety within this timeframe, please contact the Division with justification for requesting additional time. If you have any questions concerning this letter, please contact Doug Jensen at (801) 538-5382.

Sincerely,

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosure:
cc: Ted Mc Dougall, BLM, Montecello FO
Doug Jensen, DOGM

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